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DEPARTMENT PASS TO USTR AGAMA
TREASURY FOR PETERS, IERONIMO, HALL
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TAGS: [EFIN](#) [ECON](#) [EINV](#) [EPET](#) [PGOV](#) [NI](#)
SUBJECT: NIGERIA: IMF FORECASTS SLOWDOWN

REF: A. ABUJA 2365
[1](#)B. ABUJA 1289

[1](#)1. (SBU) Summary: Despite Nigerian government (GON) official statements to the contrary, the International Monetary Fund (IMF) forecasts rising inflation. Following its November 10-25 visit in the country, IMF says Nigeria's economy is slowing down because of the global financial crisis. The effects of falling oil prices will push GON revenues downward because 95% of revenues come from oil exports. End Summary.

[1](#)2. (SBU) The relationship between Nigeria and the IMF is one of "surveillance" with IMF visits once a year to assess conditions. The GON has considered a new policy support instrument (PSI) with the IMF, but has not yet spelled out what type of policies or reforms it would be interested in.

IMF Sees Slow Down

[1](#)3. (SBU) In November an IMF team conducted a fact finding mission on macroeconomic and structural issues in Nigeria. At a briefing on November 25, the IMF team commented that the global financial crisis is affecting Nigeria. The IMF concluded that non-oil GDP growth declined from 8% in 2007 to 6.8% in 2008 and oil production will decline in 2008, but should increase in 2009. Total GDP growth is expected to be 7.2% with inflation rising in 2009.

[1](#)4. (SBU) The IMF team categorized the 2008 budget as expansionary, and was concerned with implementation. The IMF estimated that only as high as 50% of the capital budget might be implemented. (Comment: Mission expects that 2008 budget implementation will be much less than optimistic IMF estimates. Most likely 30% of the 2008 budget has been implemented. End Comment.) IMF is also concerned with implementation in the 2009 budget, which was submitted to the National Assembly on December 2 for deliberations (reftel A). The IMF team highlighted that distributions from the excess crude account (ECA) have been very slow. The GON should concentrate on funding infrastructure and allocating significant resources for Millennium Development Goals.

[1](#)5. (SBU) The IMF advised that there are five key areas that the GON should focus on to increase GDP:
-- Efficient oil revenue allocations;
-- Improving budget procedures;
-- Reforming tax policy;
-- Dealing with petroleum subsidies;
-- Increasing Public-Private Partnerships.

[1](#)6. (SBU) Comment. Continued discussion with the IMF and GON on a PSI is a positive step. The GON should propose a new PSI in order to increase confidence in GON policy making. End Comment.

17. (U) This message was coordinated with ConGen Lagos.

SANDERS